



How can Africa (SADC) benefit from China's economic expansion?

Roundtable Meeting
Gauteng, South Africa

29th March 2005

Concept Note

1.0. Introduction and context

Rhys Jenkins and Chris Edwards (2004) predict that China will become the world's largest exporter by 2010 and the second largest economy by 2020. In the first 10 months of 2005, trade between China and Africa rose by 39% to over \$32bn, largely fuelled by imports of African oil, mainly from Sudan¹. Globally, China accounted for over 40% of the total growth in global oil demand over the past four years, according to the US Energy Information Administration.

In the past, China's African presence benefited from a shared history as an object of European imperialism and its ideological commitment to anti-imperialism and national liberation. China's declared principles of respect for national sovereignty and non-interference in internal affairs appealed not only as a contrast with motives of some former colonial powers, but for less elevated reasons to rulers threatened with internal dissent.

Its relationship with Africa now, writes Stephen Marks (2006), is slowly shifting from Cold War ideology to a more classical pursuit of economic self-interest in form of access to raw materials, markets and spheres of influence through investment, trade and military assistance. This is part of a wider effort to 'create a paradigm of globalisation that favours China'.

This new orientation has found institutional expression in the first China-Africa Co-operation Forum held in Beijing in 2000 - a forum to promote diplomatic relations, trade and investment between China and African countries.

More recently, China has articulated its policy on Africa in an official paper issued in January 2006 in Beijing. On the economic front, China's policy is one of strengthening and facilitating the economic development efforts for both China and Africa in trade, investment, financial and agriculture cooperation, debt reduction and relief and infrastructure.

¹ According to Chinese Customs figures reported by the BBC in January 2006

China's economic policy is shaped more by its huge development needs and Africa is only just beginning to grapple with the implications. Its aggressive pursuit of resources to feed its booming economy has come with both costs and benefits for Africa.

1.2 China's Benefits, Africa's Costs

Benefits

- China has become a big investor in oil and strategic metals. Beijing has sent out a flotilla of state-run corporations to search out exploration and supply contracts in investment environments.
- *Exporting to China* - Africa has become net exporter of raw materials, especially crude oil of which China is now the world's second largest consumer, with over 25% of its oil imports coming from Sudan and the Gulf of Guinea.
- China has become one of the major exporters of cheap Chinese-made products to Africa's domestic market
- China has become a more attractive partner, enjoyed larger profits and invested in infrastructure [hydro-electric plants, pipelines, factories, hospitals], especially in potential markets where western firms are deterred by political considerations such as sanctions or political instability.

Costs

There is a growing notion that Africa has also benefited from China although the costs still outweigh the benefits. Some notable benefits include a global strategy by China, which by the mid-70s saw 15,000 doctors work in 47 African states treating nearly 180 million cases of HIV/AIDS.

At the end of 2003, 940 Chinese doctors were still working throughout the continent and over 10,000 agricultural engineers from China serving in these countries.

China also undertook ambitious infrastructure projects such as the Tanzama railway between Tanzania and Zambia, in parallel with a Western-financed road system. They also promoted the provision of technical expertise, scholarships and aid.

Notwithstanding the benefits, as China looms over Africa, some analysts and researchers have already begun to accuse it of "neo-colonialism". Its search for energy and minerals in Africa is often equated to the "scramble for resources" that led to western colonialism during the second half of the 19th century.

Another cost, possibly the most written about is the increasing number of Chinese exports of textiles to Africa's domestic market. By the end of 2004, China's textile exports to South Africa grew from 40% of clothing exports to 80%. This led to the local industries suffering from competition of cheap Chinese products and led to massive job losses following closures of some industries.

This effect has been particularly aggravated since the end of the Multi-Fiber Agreement which expired in January 2005. Chinese exports to the United States soared and African exporters found they could not compete. More than 10 clothing factories in Lesotho closed in 2005, throwing at least 10,000 employees out of work. South Africa's clothing exports to the United States dropped from \$26 million in the first quarter of 2004 to \$12 million for the first quarter of 2005.

1.3 Key Issues for further discussion

China's growing presence in Africa has led to more questions and issues being raised by different stakeholders such as the following:

1. What will constitute the best trading relationship between China and Africa?
For example:
2. Can Africa increase exports of labour-intensive agricultural products to China, which might provide an escape from poverty in light of the increasing competition and falling prices for many such products? Or/and
3. Seek to utilize increased tax revenues from primary product exports to fund pro-poor initiatives?
4. Will China's economic presence help Africa reduce its dependence on the West and give it more economic options, which should lead to increased efforts towards poverty reduction?
5. Should there be restriction of Chinese imports and a minimum requirement on locally made goods in the shops?
6. Should African countries change existing policies aimed at reducing poverty in line with China's economic expansion?

1.4 Roundtable Discussion - 29th March 2006

SARPN plans to hold a Round Table discussion with the following aims and objectives:

1. To interrogate further how the costs and benefits of China's expansion will impact on poverty reduction for Africa.
2. To explore what role Africa can play to maximize the benefits from China's Growth for its pro-poor initiatives.
3. To explore how Africa can mitigate against any negative effects of China's economic expansion?

1.5 Participation

This meeting will draw participants from key local (South Africa) stakeholders (NGOs/CSOs, policy makers, researchers and business associations). The Meeting will also be enriched by participation of ORAM, an institution in Mozambique working on a case study Chinese involvement in the Timber Industry in Mozambique.

1.6 Expected Outcomes

The main outcome of this meeting is deepened understanding of how economic growth/expansion of one or more economies can have a bearing on the growth or lack of it in other parts of the world and thereby impact on poverty reduction.

SARPN hopes that the outcome of this meeting will stimulate further discussion on how African countries; specifically the SADC region can devise mechanisms to protect their economies from external influences/shocks and ensure that the local markets are protected and stimulated to boost economic development for pro-poor growth.

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